

The Community Foundation of Louisville, Inc.

Consolidated Financial Statements

June 30, 2015 and 2014

The Community Foundation of Louisville, Inc.
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Independent Auditor's Report

To the Board of Directors
The Community Foundation of Louisville, Inc.
Louisville, Kentucky

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Community Foundation of Louisville, Inc. (a not-for-profit organization), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of The Louisville Orchestra Foundation, Inc., which statements reflect total assets constituting 2% of consolidated assets as of June 30, 2015 and 2014, and total revenues, gains, and other support constituting 1% and 2% of consolidated revenues, gains, and other support for the years then ended, respectively. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for The Louisville Orchestra Foundation Inc., is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (Continued)

Opinion

In our opinion, based on our audits and the report of the other auditor, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Community Foundation of Louisville, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidated schedules of functional expenses on page 27 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidated schedules of functional expenses have been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidated schedules of functional expenses are fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Mountjoy Chilton Medley LLP
Louisville, Kentucky
January 7, 2016

The Community Foundation of Louisville, Inc.
Consolidated Statements of Financial Position
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Cash	\$ 4,195,062	\$ 3,965,716
Investments	433,060,242	421,377,038
Accounts receivable	16,783	7,189
Contributions receivable	3,815,000	1,690,149
Notes receivable	697,739	66,750
Beneficial interests in charitable remainder trusts and real estate	9,555,284	8,643,580
Cash surrender value of life insurance	383,140	374,203
Property and equipment, net	334,960	386,957
Other assets	<u>704,446</u>	<u>196,733</u>
Total assets	<u>\$ 452,762,656</u>	<u>\$ 436,708,315</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 46,312	\$ 39,708
Grants payable	4,701,624	6,047,063
Accrued expenses	83,871	67,971
Depository liabilities		
Depository	15,221,820	13,637,119
Corporate Depository	10,827,801	8,920,889
Agency endowment liabilities	17,207,227	17,709,589
Deferred gift liabilities for split-interest agreements	7,044,541	7,629,599
Other liabilities	<u>140,032</u>	<u>170,333</u>
Total liabilities	<u>55,273,228</u>	<u>54,222,271</u>
Net assets		
Unrestricted		
Operations	656,906	621,879
Endowments	241,904,585	237,199,977
Depositories	54,379	158,382
Non-controlling interest in unrestricted net assets (see Note M)	865,400	965,359
Total unrestricted	<u>243,481,270</u>	<u>238,945,597</u>
Temporarily restricted	<u>145,162,465</u>	<u>134,694,754</u>
Permanently restricted		
Endowments	8,059,055	8,059,055
Non-controlling interest in permanently restricted net assets (see Note M)	786,638	786,638
Total permanently restricted	<u>8,845,693</u>	<u>8,845,693</u>
Total net assets	<u>397,489,428</u>	<u>382,486,044</u>
Total liabilities and net assets	<u>\$ 452,762,656</u>	<u>\$ 436,708,315</u>

See accompanying notes.

The Community Foundation of Louisville, Inc.
Consolidated Statements of Activities
Years ended June 30, 2015 and 2014

	2015			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Revenues, gains, and other support				
Contributions and bequests	\$ 423,929	\$ 30,774,169	\$ -	\$ 31,198,098
Less amounts received for agency endowments	-	(261,126)	-	(261,126)
Investment income	2,252,254	7,350,173	-	9,602,427
Net unrealized gains on investments	-	-	-	-
Net realized gains on sales of investments	2,526,425	15,075,545	-	17,601,970
Administered fund fees				
Depository and Corporate Depository	82,383	-	-	82,383
Endowment and deferred funds	41,306	-	-	41,306
Other income	67,647	-	-	67,647
	<u>5,393,944</u>	<u>52,938,761</u>	<u>-</u>	<u>58,332,705</u>
Net assets released from restrictions	34,554,145	(34,554,145)	-	-
	<u>39,948,089</u>	<u>18,384,616</u>	<u>-</u>	<u>58,332,705</u>
Expenses and losses				
Program services				
Grants	31,374,383	-	-	31,374,383
Less amounts granted from agency endowments	(1,370,516)	-	-	(1,370,516)
Income distributions from Depositories to donors' funds	461,612	-	-	461,612
Distributions from deferred funds	798,484	-	-	798,484
Other program services expenses	882,498	-	-	882,498
	<u>32,146,461</u>	<u>-</u>	<u>-</u>	<u>32,146,461</u>
Management and general	2,697,896	-	-	2,697,896
Fundraising	535,256	-	-	535,256
	<u>35,379,613</u>	<u>-</u>	<u>-</u>	<u>35,379,613</u>
Net unrealized losses on investments	32,803	7,916,905	-	7,949,708
	<u>35,412,416</u>	<u>7,916,905</u>	<u>-</u>	<u>43,329,321</u>
Change in net assets	4,535,673	10,467,711	-	15,003,384
Net assets, beginning of year	<u>238,945,597</u>	<u>134,694,754</u>	<u>8,845,693</u>	<u>382,486,044</u>
Net assets, end of year	<u>\$ 243,481,270</u>	<u>\$ 145,162,465</u>	<u>\$ 8,845,693</u>	<u>\$ 397,489,428</u>

See accompanying notes.

2014

<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
\$ 1,550,785	\$ 30,219,220	\$ (9,843)	\$ 31,760,162
-	(514,238)	-	(514,238)
2,297,315	6,676,244	-	8,973,559
8,201,445	28,678,232	-	36,879,677
3,807,641	8,286,097	-	12,093,738
53,455	-	-	53,455
40,986	-	-	40,986
61,300	-	-	61,300
<u>16,012,927</u>	<u>73,345,555</u>	<u>(9,843)</u>	<u>89,348,639</u>
<u>55,653,284</u>	<u>(55,653,284)</u>	<u>-</u>	<u>-</u>
<u>71,666,211</u>	<u>17,692,271</u>	<u>(9,843)</u>	<u>89,348,639</u>
30,778,961	-	-	30,778,961
(1,468,940)	-	-	(1,468,940)
997,221	-	-	997,221
756,793	-	-	756,793
998,256	-	-	998,256
<u>32,062,291</u>	<u>-</u>	<u>-</u>	<u>32,062,291</u>
2,710,680	-	-	2,710,680
543,238	-	-	543,238
<u>35,316,209</u>	<u>-</u>	<u>-</u>	<u>35,316,209</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>35,316,209</u>	<u>-</u>	<u>-</u>	<u>35,316,209</u>
36,350,002	17,692,271	(9,843)	54,032,430
<u>202,595,595</u>	<u>117,002,483</u>	<u>8,855,536</u>	<u>328,453,614</u>
<u>\$ 238,945,597</u>	<u>\$ 134,694,754</u>	<u>\$ 8,845,693</u>	<u>\$ 382,486,044</u>

The Community Foundation of Louisville, Inc.
Consolidated Statements of Cash Flows
Years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ 15,003,384	\$ 54,032,430
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Beneficial interest in contributed real estate	-	(2,200,000)
Contributed other assets	(525,000)	-
Net unrealized losses (gains) on investments	7,949,708	(36,879,677)
Net realized gains on sales of investments	(17,601,970)	(12,093,738)
Depreciation and amortization	79,603	72,930
Changes in assets and liabilities		
Accounts receivable	(9,594)	15,171
Contributions receivable	(2,124,851)	729,998
Beneficial interests in charitable remainder trusts and real estate	(911,704)	(981,111)
Cash surrender value of life insurance	(8,937)	(3,268)
Other assets	17,287	(9,208)
Accounts payable	6,604	(1,180)
Grants payable	(1,345,439)	59,453
Accrued expenses	15,900	4,117
Depository liabilities	3,491,613	2,338,575
Agency endowment liabilities	(502,362)	1,489,083
Deferred gift liabilities for split-interest agreements	(585,058)	597,439
Other liabilities	(30,301)	(359)
	<u>2,918,883</u>	<u>7,170,655</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Proceeds from sales and maturities of investments	160,772,006	128,258,236
Purchases of investments	(162,802,948)	(132,506,061)
Additional notes receivable	(630,989)	(66,750)
Purchases of property and equipment	(27,606)	(189,037)
	<u>(2,689,537)</u>	<u>(4,503,612)</u>
Net cash used in investing activities		
Change in cash	229,346	2,667,043
Cash, beginning of year	<u>3,965,716</u>	<u>1,298,673</u>
Cash, end of year	<u>\$ 4,195,062</u>	<u>\$ 3,965,716</u>

See accompanying notes.

**The Community Foundation of Louisville, Inc.
Notes to the Consolidated Financial Statements
June 30, 2015 and 2014**

Note A--Nature of Organization/Consolidated Financial Statements

The accompanying consolidated financial statements include the accounts of The Community Foundation of Louisville, Inc., The Community Foundation of Louisville Depository, Inc., The Community Foundation of Louisville Corporate Depository, Inc., the Real Estate Asset Legacy Foundation of Kentucky, Inc., the Felix E. Martin, Jr. Foundation, Inc., the John B. and Mary Bell Pirtle Endowment Fund, Finzer Street 2015, LLC, and The Louisville Orchestra Foundation, Inc. (collectively, the Foundation). All significant inter-organization accounts and transactions have been eliminated in consolidation.

The Community Foundation of Louisville, Inc. (Community Foundation) was organized in 1980 as a successor to the Louisville Foundation (which was established in 1916). The Community Foundation's primary purpose is to receive contributions and bequests, most of which are placed into endowment funds. The distributions of grants to meet community needs are made in accordance with the Community Foundation's spending policies, as approved by the Community Foundation's Board of Directors.

The Community Foundation of Louisville Depository, Inc. (Depository) and The Community Foundation of Louisville Corporate Depository, Inc. (Corporate Depository) consist of pooled funds which are designed to receive assets contributed from multiple donors. Both the Depository and the Corporate Depository (collectively, the Depositories) distribute grants, in accordance with the individual or corporate depositor's direction, to not-for-profit organizations throughout the United States. Distributions can be made at any time during the donor's lifetime or the corporate depositor's existence. Within one year of the death of the donor (or surviving spouse) or dissolution of the corporate donor, any undistributed funds will be granted either to charitable organizations, if specified by the donor agreement, or to the general endowment of the Community Foundation. The Boards of Directors of the Depositories are comprised of the members of the Executive Committee of the Community Foundation.

The Real Estate Asset Legacy Foundation of Kentucky, Inc. (REAL Foundation) was organized in 2008 to receive contributions of real estate and/or other personal property. The REAL Foundation holds such donated property until it is sold, the proceeds from which, depending on the nature of the arrangements made with the donor when the contribution was made, are either granted to the Community Foundation or to the Depositories.

In 2008, the Felix E. Martin, Jr. Foundation, Inc. (Martin Foundation) was established as a Type I supporting organization (as described in Section 509(a)(3) of the Internal Revenue Code) to the Community Foundation. The Martin Foundation was formed to receive and maintain the funds bequeathed by Felix E. Martin, Jr. to be used exclusively for charitable, scientific, literary, or educational purposes for the benefit of the residents of Muhlenberg County, Kentucky, either directly or by contributions to organizations that qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code.

In 1937, the John B. and Mary Bell Pirtle Endowment Fund (Fund) was established to benefit the Louisville Foundation, which, as noted above, was the precursor to the Community Foundation. In 1992, the Internal Revenue Service approved the designation of the Fund as a Type I supporting organization to the Community Foundation. The Fund's assets consist of an investment account comprised of marketable securities. The terms of the related agreement specify that all income generated by such assets be distributed to the Community Foundation. At June 30, 2015 and 2014, the fair value of the Fund's assets total \$2,120,677 and \$2,184,317, respectively, and are included with the Community Foundation's investments.

The Community Foundation of Louisville, Inc.
Notes to the Consolidated Financial Statements (Continued)
June 30, 2015 and 2014

Note A--Nature of Organization/Consolidated Financial Statements (Continued)

Finzer Street 2015, LLC (Finzer), a single member limited liability company of which the REAL Foundation is the single member, was formed in 2015 solely to receive the contribution of a specific parcel of real estate (\$525,000 classified as other assets at June 30, 2015). Explicit donor stipulations specify how the property must be used, therefore the contribution is reflected in temporarily restricted net assets as of June 30, 2015.

The Louisville Orchestra Foundation, Inc. (Orchestra Foundation) is a not-for-profit organization formed for the specific purpose of supporting orchestral music in Louisville, Kentucky. The Community Foundation transferred certain assets to the Orchestra Foundation to provide its initial funding. Subsequent to its formation, resources for the Orchestra Foundation's activities are primarily provided by contributions and income from its investments. The Orchestra Foundation's articles of incorporation state that in the event of the Orchestra Foundation's dissolution, the lesser of its net assets or an amount equal to the remainder of the Community Foundation's initial transfer to the Orchestra Foundation will be distributed to the Community Foundation with the restriction that the funds be used to support orchestral music. The Orchestra Foundation's bylaws require its Board of Directors be comprised entirely of individuals nominated by the Community Foundation. The applicable provisions of the Financial Accounting Standards Board Accounting Standards Codification require the consolidation of an entity when both elements of economic interest and control as described above exist. Accordingly, the accounts of the Orchestra Foundation have been included in the accompanying consolidated financial statements.

Note B--Summary of Significant Accounting Policies

1. Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) is the sole source of authoritative GAAP.

2. Basis of Presentation

Financial statement presentation follows the recommendations of the FASB specifically as it pertains to financial statements of not-for-profit organizations. As such, the Foundation is required to report information regarding its financial position and activities according to the three classes of net assets as follows:

- Unrestricted net assets--Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets also include net assets which have been designated by the Community Foundation's Board of Directors.
- Temporarily restricted net assets--Net assets subject to donor-imposed stipulations that may be fulfilled by actions of the Foundation pursuant to those stipulations and/or that will expire through the passage of time.
- Permanently restricted net assets--Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

The Community Foundation of Louisville, Inc.
Notes to the Consolidated Financial Statements (Continued)
June 30, 2015 and 2014

Note B--Summary of Significant Accounting Policies (Continued)

3. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

4. Cash

Cash consists of funds not otherwise held in custodial investment accounts or certificates of deposit.

5. Investments

The Foundation invests in a combination of cash equivalent funds, publicly-traded common stocks, mutual funds, fixed-income securities, and alternative investments. All investment securities are subject to the risks common to financial markets, including interest rate risk, credit risk, and overall market risk. Due to the level of risk associated with all investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated statements of financial position.

The Foundation's investments are stated at fair value. Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Purchases and sales of investments are recorded on a trade-date basis. Investment income includes both interest and dividend income. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized gains (losses) represent the gains (losses) on investments sold during the year. Net unrealized gains (losses) represent the gains (losses) on investments held throughout the year and are included in the change in net assets in the accompanying consolidated statements of activities.

6. Contributions Receivable

Contributions receivable consist principally of assets which have been bequeathed to the Community Foundation. When contribution receivable amounts are expected to have collection periods in excess of a year, such amounts have generally been recorded after discounting them to the present value of future cash flows using a risk free interest rate.

No allowance for uncollectible contributions receivable is reflected in the accompanying consolidated financial statements as management considers all contributions receivables to be fully collectible.

7. Notes Receivable

The estimated fair values of notes receivable represent the outstanding principal balances under the terms of the respective loan agreements. Interest income is recognized over the terms of the notes receivable as calculated on the outstanding principal amounts. Notes receivable generally bear interest at 1.00%.

No allowance for uncollectible notes receivable is reflected in the accompanying consolidated financial statements as management considers all notes receivable to be fully collectible.

The Community Foundation of Louisville, Inc.
Notes to the Consolidated Financial Statements (Continued)
June 30, 2015 and 2014

Note B--Summary of Significant Accounting Policies (Continued)

8. Beneficial Interests in Charitable Remainder Trusts and Real Estate

Beneficial interests in charitable remainder trusts, under which the Community Foundation is not the trustee, are stated at fair value which has been estimated based on the calculated present value of the estimated future benefits expected to be received.

The REAL Foundation has an irrevocable beneficial interest in residential real estate whereby the donor retains the right to use the property for life. Upon the donor's passing, the REAL Foundation has the right to sell the property. The beneficial interest is stated at fair value which has been estimated based on the discounted appraised fair value of the respective property.

9. Property and Equipment, Net

Property and equipment is stated at cost at the date of acquisition or fair value at the date of donation in the case of donated real estate or other assets. Property and equipment is presented in the accompanying consolidated statements of financial position net of accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the depreciable assets, which range from three to ten years.

The Foundation capitalizes all expenditures for property and equipment which are in excess of \$1,000. Repairs and maintenance that do not improve or extend the useful lives of the respective assets are expensed as incurred.

10. Depository Liabilities

Depository liabilities represent the unexpended portion of funds contributed by donors (individual or corporate) who direct the distribution of such funds for specified charitable purposes.

11. Agency Endowment Liabilities

Agency endowment liabilities represent the unexpended portion of funds received from various not-for-profit organizations which have designated themselves the beneficiary of grants made from the distributable portion of the funds transferred to the Community Foundation. Under the applicable provisions of the ASC, the unexpended portion of such funds is reported as a liability instead of as a net asset of the Community Foundation.

12. Deferred Gift Liabilities for Split-Interest Agreements

Deferred gift liabilities for split-interest agreements are stated at estimated fair value, which is based upon the calculated present value of the income distributions or other payments to the donor or other designated beneficiaries during the terms of the split-interest agreements.

The Community Foundation of Louisville, Inc.
Notes to the Consolidated Financial Statements (Continued)
June 30, 2015 and 2014

Note B--Summary of Significant Accounting Policies (Continued)

13. Contributions and Bequests

Contributions and bequests, including unconditional promises to give (contributions receivable), are recognized as revenue in the period when they are received or unconditionally pledged and are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. Gifts of donated real estate or other assets are reported as unrestricted contributions revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the contributions are reported as temporarily or permanently restricted contributions revenue and net assets.

14. Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the accompanying consolidated statements of activities. Directly identifiable expenses are charged to the applicable program and supporting services. Expenses related to more than one function are allocated among the programs and supporting services benefited based on management's time and service estimates. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Foundation.

15. Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code). Additionally, the Foundation has been determined by the Internal Revenue Service not to be a private foundation within the context of Section 509(a) of the Code.

When applicable, the Foundation recognizes uncertain income tax positions using the "more-likely-than-not" approach as defined in the ASC. No liability for uncertain tax positions has been reflected in the accompanying consolidated financial statements.

16. Reclassification

Certain amounts for 2014 have been reclassified to conform with the 2015 presentation. These reclassifications had no effect on the previously reported 2014 change in net assets or net assets as of June 30, 2014.

17. Subsequent Events

The Foundation has evaluated events occurring subsequent to year-end through the date of the Independent Auditor's Report, the date the accompanying consolidated financial statements were available to be issued.

The Community Foundation of Louisville, Inc.
Notes to the Consolidated Financial Statements (Continued)
June 30, 2015 and 2014

Note C--Concentration of Credit Risk

The Foundation maintains its deposits (cash and cash equivalents and certificates of deposit included as investments) with several financial institutions. The federal deposit insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC) currently amounts to \$250,000 per depositor at each FDIC insured U.S. depository institution.

At June 30, 2015, uninsured balances, including invested certificates of deposit, total approximately \$4,400,000. The balances of the Foundation's money market funds included in investments are uninsured.

Note D--Investments

At June 30, 2015, investments consist of the following:

	Community Foundation	Depository	Corporate Depository	Martin Foundation	Orchestra Foundation	Consolidated
Cash equivalents	\$ 7,069,471	\$ 5,347,192	\$ 2,590,448	\$ 214,348	\$ 188,102	\$ 15,409,561
U.S. government and government agency obligations	942,858	2,145,980	392,940	3,264,737	-	6,746,515
Corporate bonds and notes	220,083	2,298,659	395,849	7,542,611	-	10,457,202
Municipal bonds	606,939	-	141,531	2,729,088	-	3,477,558
Mutual funds	237,540,442	4,432,700	1,877,812	20,113,322	8,668,625	272,632,901
Common stock	67,878,900	45,958	3,353,371	21,452,967	-	92,731,196
Alternative investments (see Note E)	30,486,679	738,319	-	-	380,311	31,605,309
	<u>\$ 344,745,372</u>	<u>\$ 15,008,808</u>	<u>\$ 8,751,951</u>	<u>\$ 55,317,073</u>	<u>\$ 9,237,038</u>	<u>\$ 433,060,242</u>

At June 30, 2014, investments consist of the following:

	Community Foundation	Depository	Corporate Depository	Martin Foundation	Orchestra Foundation	Consolidated
Cash equivalents	\$ 6,886,006	\$ 3,113,112	\$ 2,191,912	\$ 1,397,079	\$ 57,586	\$ 13,645,695
U.S. government and government agency obligations	939,510	2,033,097	361,304	4,363,181	-	7,697,092
Corporate bonds and notes	869,432	2,196,347	242,685	7,963,073	-	11,271,537
Municipal bonds	610,862	-	172,715	455,620	-	1,239,197
Mutual funds	250,635,546	4,460,286	2,318,853	23,950,501	8,693,480	290,058,666
Common stock	45,281,602	250,843	3,028,784	19,212,553	-	67,773,782
Alternative investments (see Note E)	27,554,297	1,559,406	-	-	577,366	29,691,069
	<u>\$ 332,777,255</u>	<u>\$ 13,613,091</u>	<u>\$ 8,316,253</u>	<u>\$ 57,342,007</u>	<u>\$ 9,328,432</u>	<u>\$ 421,377,038</u>

The Community Foundation of Louisville, Inc.
Notes to the Consolidated Financial Statements (Continued)
June 30, 2015 and 2014

Note E--Alternative Investments

The Foundation invests in various types of alternative investments, investments which result from direct purchases as well as contributions from donors. Such alternative investments include limited liability companies, limited partnerships, and closely-held corporations.

Limited liability companies: The Foundation's limited liability company investments consist of entities which invest in marketable securities with a readily determinable fair value, as well as entities which invest in securities for which there is no public market or readily determinable fair value. The Foundation is only liable for losses to the extent of its invested capital.

Limited partnerships: The Foundation's limited partnership investments consist of entities which invest in marketable securities with a readily determinable fair value, as well as entities which invest in securities for which there is no public market or readily determinable fair value. The Foundation is a limited partner in each of these investments. Under the terms of the respective limited partnership agreements, the limited partners are only liable for losses to the extent of their invested capital.

Closely-held corporations: The Foundation is a shareholder in a bank holding company for which there is no public market or readily determinable fair value.

The Foundation's methodologies for determining the fair values of its investments in each of these alternative investments are described in Note K.

Note F--Contributions Receivable

At June 30, 2015 and 2014, contributions receivable consist of the following:

	<u>2015</u>	<u>2014</u>
Estimated to be collected in less than one year	\$ 2,515,000	\$ 1,690,149
Estimated to be collected in one to five years	1,300,000	-
	<u>\$ 3,815,000</u>	<u>\$ 1,690,149</u>

Note G--Notes Receivable

At June 30, 2015 and 2014, notes receivable per the accompanying consolidated statements of financial position consist of funds advanced under the Community Foundation's Impact Investing program (\$297,739 and \$66,750 at June 30, 2015 and 2014, respectively) and a note receivable due to the Martin Foundation (\$400,000 and \$0 at June 30, 2015 and 2014, respectively).

At June 30, 2015, the estimated aggregate maturities required under notes receivable are as follows:

<u>Year ending June 30</u>	
2016	\$ 84,102
2017	119,194
2018	119,286
2019	214,379
2020	160,778
	<u>\$ 697,739</u>

The Community Foundation of Louisville, Inc.
Notes to the Consolidated Financial Statements (Continued)
June 30, 2015 and 2014

Note H--Property and Equipment, Net

At June 30, 2015 and 2014, net property and equipment consists of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 12,500	\$ 12,500
Building	116,772	116,772
Leasehold improvements	248,563	245,458
Office furniture and equipment	240,811	240,811
Computer hardware and software	<u>325,735</u>	<u>301,234</u>
	944,381	916,775
Less accumulated depreciation and amortization	<u>609,421</u>	<u>529,818</u>
	<u>\$ 334,960</u>	<u>\$ 386,957</u>

Depreciation and amortization expense totals \$79,603 and \$72,930 for the years ended June 30, 2015 and 2014, respectively.

Note I--Depository Liabilities

A progression of depository liabilities for the years ended June 30, 2015 and 2014 is as follows:

	<u>2015</u>		<u>2014</u>	
	<u>Depository</u>	<u>Corporate Depository</u>	<u>Depository</u>	<u>Corporate Depository</u>
Beginning of the year	\$ 13,637,119	\$ 8,920,889	\$ 12,088,752	\$ 8,130,681
Additions	11,893,046	5,861,265	11,428,918	3,817,160
Net investment income retained	2,059	96,448	2,284	111,168
Net unrealized and realized appreciation	43,127	319,978	225,188	658,581
Distributions	<u>(10,353,531)</u>	<u>(4,370,779)</u>	<u>(10,108,023)</u>	<u>(3,796,701)</u>
End of the year	<u>\$ 15,221,820</u>	<u>\$ 10,827,801</u>	<u>\$ 13,637,119</u>	<u>\$ 8,920,889</u>

Note J--Split-interest Agreements

The Community Foundation is party to various irrevocable split-interest agreements. A split-interest agreement is a gift that is partially for the Community Foundation's benefit and partially for an individual's benefit. Upon acceptance of a split-interest agreement, the Community Foundation records the contributed asset and the present value of the liability payable to the beneficiary. These agreements include charitable remainder trusts, a pooled income fund, and charitable gift annuities.

Charitable remainder trusts are arrangements in which a donor establishes and funds a trust with specified distributions to be made to designated beneficiaries over the trust's term. Upon termination of the trust, the Community Foundation receives the assets remaining in the trust. Obligations to the beneficiaries are limited to the trust's assets.

The Community Foundation of Louisville, Inc.
Notes to the Consolidated Financial Statements (Continued)
June 30, 2015 and 2014

Note J--Split-interest Agreements (Continued)

The Community Foundation manages a pooled income fund in which contributions of multiple donors' life income gifts are pooled and invested as a group. Each donor is assigned a specific number of units based on the proportion of the fair value of the contributions to the total fair value of the pooled income fund on the date of the donor's gift. Until the beneficiary's death, the beneficiary (either the donor or the donor's designated beneficiary) is paid the actual income earned on the donor's assigned units. Upon the beneficiary's death, the value of these assigned units reverts to the Community Foundation. Obligations to the beneficiaries are limited to the income earned by the pooled income fund.

A charitable gift annuity is an arrangement between a donor and the Community Foundation in which the donor contributes assets to the Community Foundation in exchange for a contractual commitment by the Community Foundation to pay a fixed amount to the beneficiary (either the donor or to others designated by the donor) until the beneficiary's death. Upon the beneficiary's death, the remaining amount of assets, if any, reverts to the Community Foundation.

These assets are reported at fair value in the same manner as all Foundation investments. The income or loss recognized under these trusts is included in temporarily restricted net assets. Discount rates are determined in accordance with the Internal Revenue Code and represent the rate at the date of the contribution. The actuarial assumptions used in calculating the present values of the related liabilities include the beneficiary's age, the date of the gift, the fair value of the amount gifted, the estimated rate of return, the payout rate, the payment schedule, and the discount rate.

Amounts subject to split-interest agreements include the following as of June 30, 2015 and 2014:

	2015			
	Charitable remainder trusts	Pooled income fund	Charitable gift annuities	Total
Assets	\$ 13,028,544	\$ 656,713	\$ 1,288,227	\$ 14,973,484
Liabilities	5,988,842	524,931	530,768	7,044,541
	2014			
	Charitable remainder trusts	Pooled income fund	Charitable gift annuities	Total
Assets	\$ 14,656,413	\$ 639,284	\$ 1,241,720	\$ 16,537,417
Liabilities	6,601,426	516,519	511,654	7,629,599

The Community Foundation of Louisville, Inc.
Notes to the Consolidated Financial Statements (Continued)
June 30, 2015 and 2014

Note K--Fair Value Measurements

The ASC provides a framework for measuring fair value. This framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as described below:

- Level 1--Quoted prices in active markets for identical assets or liabilities.
- Level 2--Observable inputs such as quoted prices in active markets for similar assets or liabilities or quoted prices for identical or similar assets or liabilities in markets that are not active or unobservable inputs that are derived principally from or corroborated by observable market data. If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3--Unobservable inputs that are based on the Foundation's own assumptions as to how knowledgeable parties would price assets or liabilities that are not corroborated by market data.

The following is a description of the valuation methodologies used for the assets and liabilities measured at fair value. There have been no changes in the methodologies used to determine fair value at June 30, 2015 and 2014.

Cash equivalents: Valued at the net asset value of the units held by the Foundation at year-end.

U.S. government and government agency obligations: Valued using a yield curve matrix derived from quoted prices for similar assets in active markets.

Corporate bonds and notes: Valued using a yield curve matrix derived from quoted prices for similar assets in active markets.

Municipal bonds: Valued using a yield curve matrix derived from quoted prices for similar assets in active markets.

Mutual funds: Valued at the net asset value of the shares held by the Foundation at year-end.

Common stock: Valued at the quoted market price of the shares held by the Foundation at year-end.

Limited liability companies: The estimated fair values are based on information provided by the managing member of each of the limited liability companies. The fair values of the limited liability companies which invest primarily in publicly traded securities with readily determinable fair values are determined by allocating the aggregate fair values of the underlying securities to each member based on the number of units held by the member, and are equivalent to net asset value. The fair values of the limited liability companies which invest primarily in securities for which there are no readily available market quotations are estimated based on the initial cost of the investment adjusted for changes in the managing members' estimates of the fair values of the underlying assets, and are equivalent to net asset value.

The Community Foundation of Louisville, Inc.
Notes to the Consolidated Financial Statements (Continued)
June 30, 2015 and 2014

Note K--Fair Value Measurements (Continued)

Limited partnerships: The estimated fair values are based on information provided by the general partner of each of the limited partnerships. The fair values of the limited partnerships which invest primarily in publicly traded securities with readily determinable fair values are determined by allocating the aggregate fair values of the underlying securities to each limited partner based on the number of units held by the partner, and are equivalent to net asset value. The fair values of the limited partnerships which invest primarily in securities for which there are no readily available market quotations are estimated based on the initial cost of the investment adjusted for changes in the general partners' estimates of the fair values of the underlying assets, and are equivalent to net asset value.

Closely-held corporations: The estimated fair value of the investment in the common stock of a closely-held bank holding company is based on the initial cost of the investment, adjusted for changes in the fair values of the underlying assets, if any, as reported to the shareholders by the holding company's management.

Notes receivable: The estimated fair values of notes receivable represent the outstanding principal balances under the terms of the respective loan agreements.

Beneficial interests in charitable remainder trusts: The estimated fair values of the beneficial interests are based on the calculated present value of the estimated future benefits expected to be received. The actuarial assumptions used in calculating the present values include the beneficiary's age, the date of the gift, the fair value of the amount gifted, the estimated rate of return, the payout rate, the payment schedule, and the discount rate. The Community Foundation is also the sole beneficiary of a trust which holds mineral rights. The estimated fair value of this charitable remainder trust is based on information provided by the trustee and is determined based on aggregate historical production from the oil wells owned by the trust multiplied by a factor that is based on lease terms and industry averages.

Beneficial interest in real estate: The estimated fair value of the beneficial interest is based on the discounted appraised fair value of the respective property. The actuarial assumptions used in calculating the estimated fair value include the beneficiary's age, the date of the gift, the appraised fair value of the gifted property, and the discount rate.

Deferred gift liabilities for split-interest agreements: The estimated fair value is based on the calculated present value of the income distributions or other payments to the donor or other designated beneficiaries during the terms of the split-interest agreements. The actuarial assumptions used in calculating the present values include the beneficiary's age, the date of the gift, the fair value of the amount gifted, the estimated rate of return, the payout rate, the payment schedule, and the discount rate.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Community Foundation of Louisville, Inc.
Notes to the Consolidated Financial Statements (Continued)
June 30, 2015 and 2014

Note K--Fair Value Measurements (Continued)

The following table sets forth by level within the fair value hierarchy, the Foundation's assets at fair value at June 30, 2015:

	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 15,409,561	\$ -	\$ -	\$ 15,409,561
U.S. government and government agency obligations				
Rated AAA	-	6,746,515	-	6,746,515
Corporate bonds and notes				
Rated AAA	-	1,132,433	-	1,132,433
Rated AA- to AA+	-	1,879,162	-	1,879,162
Rated A- to A+	-	6,010,677	-	6,010,677
Rated BB+ to BBB+	-	1,434,930	-	1,434,930
	<u>-</u>	<u>10,457,202</u>	<u>-</u>	<u>10,457,202</u>
Municipal bonds				
Rated AAA	-	305,433	-	305,433
Rated AA- to AA+	-	2,708,600	-	2,708,600
Rated A- to A+	-	463,525	-	463,525
	<u>-</u>	<u>3,477,558</u>	<u>-</u>	<u>3,477,558</u>
Mutual funds				
Equity	63,238,333	-	-	63,238,333
Fixed income	94,612,849	-	-	94,612,849
Index and exchange traded funds	56,468,194	-	-	56,468,194
International	48,736,245	-	-	48,736,245
Other	9,577,280	-	-	9,577,280
	<u>272,632,901</u>	<u>-</u>	<u>-</u>	<u>272,632,901</u>
Common stock				
Consumer discretionary	14,823,085	-	-	14,823,085
Energy	3,649,314	-	-	3,649,314
Financial	15,493,451	-	-	15,493,451
Healthcare	14,795,549	-	-	14,795,549
Industrials	12,060,663	-	-	12,060,663
Information technology	14,822,200	-	-	14,822,200
Other	17,086,934	-	-	17,086,934
	<u>92,731,196</u>	<u>-</u>	<u>-</u>	<u>92,731,196</u>
Alternative investments				
Limited liability companies	-	-	26,289,691	26,289,691
Limited partnerships	-	-	5,065,368	5,065,368
Closely-held corporation	-	-	250,250	250,250
	<u>-</u>	<u>-</u>	<u>31,605,309</u>	<u>31,605,309</u>
Notes receivable	-	-	697,739	697,739
Beneficial interests in charitable remainder trusts and real estate				
Unitrusts	-	-	6,422,501	6,422,501
Annuity trusts	-	-	232,783	232,783
Real estate	-	-	2,900,000	2,900,000
	<u>-</u>	<u>-</u>	<u>9,555,284</u>	<u>9,555,284</u>
	<u>\$ 380,773,658</u>	<u>\$ 20,681,275</u>	<u>\$ 41,858,332</u>	<u>\$ 443,313,265</u>

The Community Foundation of Louisville, Inc.
Notes to the Consolidated Financial Statements (Continued)
June 30, 2015 and 2014

Note K--Fair Value Measurements (Continued)

The following table sets forth by level within the fair value hierarchy, the Foundation's assets at fair value at June 30, 2014:

	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 13,645,695	\$ -	\$ -	\$ 13,645,695
U.S. government and government agency obligations				
Rated AAA	-	7,697,092	-	7,697,092
Corporate bonds and notes				
Rated AAA	-	504,621	-	504,621
Rated AA- to AA+	-	3,784,730	-	3,784,730
Rated A- to A+	-	4,108,054	-	4,108,054
Rated BB+ to BBB+	-	2,874,132	-	2,874,132
	<u>-</u>	<u>11,271,537</u>	<u>-</u>	<u>11,271,537</u>
Municipal bonds				
Rated AAA	-	304,267	-	304,267
Rated AA- to AA+	-	934,930	-	934,930
	<u>-</u>	<u>1,239,197</u>	<u>-</u>	<u>1,239,197</u>
Mutual funds				
Equity	86,539,926	-	-	86,539,926
Fixed income	94,568,201	-	-	94,568,201
Index and exchange traded funds	55,081,536	-	-	55,081,536
International	46,916,329	-	-	46,916,329
Other	6,952,674	-	-	6,952,674
	<u>290,058,666</u>	<u>-</u>	<u>-</u>	<u>290,058,666</u>
Common stock				
Consumer discretionary	10,237,701	-	-	10,237,701
Energy	4,892,746	-	-	4,892,746
Financial	12,570,919	-	-	12,570,919
Healthcare	8,996,203	-	-	8,996,203
Industrials	6,544,024	-	-	6,544,024
Information technology	10,251,318	-	-	10,251,318
Other	14,280,871	-	-	14,280,871
	<u>67,773,782</u>	<u>-</u>	<u>-</u>	<u>67,773,782</u>
Alternative investments				
Limited liability companies	-	-	22,504,554	22,504,554
Limited partnerships	-	-	6,936,265	6,936,265
Closely-held corporation	-	-	250,250	250,250
	<u>-</u>	<u>-</u>	<u>29,691,069</u>	<u>29,691,069</u>
Note receivable	-	-	66,750	66,750
Beneficial interests in charitable remainder trusts and real estate				
Unitrusts	-	-	6,227,934	6,227,934
Annuity trusts	-	-	215,646	215,646
Real estate	-	-	2,200,000	2,200,000
	<u>-</u>	<u>-</u>	<u>8,643,580</u>	<u>8,643,580</u>
	<u>\$ 371,478,143</u>	<u>\$ 20,207,826</u>	<u>\$ 38,401,399</u>	<u>\$ 430,087,368</u>

The Community Foundation of Louisville, Inc.
Notes to the Consolidated Financial Statements (Continued)
June 30, 2015 and 2014

Note K--Fair Value Measurements (Continued)

The changes in the Level 3 assets measured at fair value on a recurring basis using significant unobservable inputs during the years ended June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Beginning of the year	\$ 38,401,399	\$ 35,727,487
Purchases/contributions	1,618,172	6,765,766
Sales	(3,944,975)	(9,881,350)
Net unrealized and realized appreciation	5,589,169	4,824,356
Actuarial change	194,567	965,140
End of the year	<u>\$ 41,858,332</u>	<u>\$ 38,401,399</u>

The following table sets forth by level within the fair value hierarchy, the Foundation's liabilities (deferred gift liabilities for split-interest agreements) at fair value at June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Charitable remainder trusts				
Unitrusts	\$ -	\$ -	\$ 5,904,809	\$ 5,904,809
Annuity trust	-	-	84,033	84,033
Pooled income fund	-	-	524,931	524,931
Charitable gift annuities	-	-	530,768	530,768
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,044,541</u>	<u>\$ 7,044,541</u>

The following table sets forth by level within the fair value hierarchy, the Foundation's liabilities (deferred gift liabilities for split-interest agreements) at fair value at June 30, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Charitable remainder trusts				
Unitrusts	\$ -	\$ -	\$ 6,508,034	\$ 6,508,034
Annuity trust	-	-	93,392	93,392
Pooled income fund	-	-	516,519	516,519
Charitable gift annuities	-	-	511,654	511,654
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,629,599</u>	<u>\$ 7,629,599</u>

The Community Foundation of Louisville, Inc.
Notes to the Consolidated Financial Statements (Continued)
June 30, 2015 and 2014

Note K--Fair Value Measurements (Continued)

The changes in the Level 3 liabilities measured at fair value on a recurring basis using significant unobservable inputs during the years ended June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Beginning of the year	\$ 7,629,599	\$ 7,032,160
Actuarial change	213,426	1,354,232
Payment obligations	(798,484)	(756,793)
End of the year	<u>\$ 7,044,541</u>	<u>\$ 7,629,599</u>

The following table sets forth the unfunded commitments, redemption frequencies, and redemption notice periods related to the Foundation's limited liability company and limited partnership investments for which the fair values at June 30, 2015 are determined using a net asset value per share or its equivalent:

	<u>Fair value</u>	<u>Unfunded commitment</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Limited liability companies - marketable securities	\$ 16,913,453	\$ -	N/A	N/A
Limited liability companies - private equity	8,102,983	-	monthly	14 days
Limited liability companies - commercial real estate	1,273,255	-	N/A	N/A
Limited partnerships - marketable securities	738,317	-	quarterly	45 days
Limited partnerships - marketable securities	59,283	-	N/A	N/A
Limited partnerships - marketable securities and private equity	380,311	-	quarterly	65 days
Limited partnerships - private equity	929,509	2,614,673	N/A	N/A
Limited partnerships - commodities futures	2,957,948	-	monthly	15 days

The Community Foundation of Louisville, Inc.
Notes to the Consolidated Financial Statements (Continued)
June 30, 2015 and 2014

Note L--Endowment Funds

The ASC provides guidance on the net asset classification of donor-restricted endowment funds that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA).

The Foundation's endowments consist of approximately 640 funds established for a variety of purposes. Such endowments include both donor-restricted endowment funds and funds designated by the Board of Directors (Board) to function as endowments. These endowment funds also include various charitable remainder trusts and charitable gift annuities, some of which are administered by outside parties. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law:

Management and the Board, on the advice of legal counsel, have determined that the majority of the Foundation's net assets meet the definition of endowment funds under UPMIFA. The Foundation is governed subject to its bylaws and most contributions are received subject to the terms of fund agreements.

Under the terms of the Foundation's standard fund agreements, the Board has the ability to distribute as much of the corpus of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the purposes of the organization and the respective endowment fund
- other resources of the organization
- the investment policies of the organization
- the duration and preservation of the endowment fund
- the expected total return from income and the appreciation of investments
- general economic conditions
- the possible effect of inflation and deflation

As a result of the ability to distribute corpus, management has determined that all contributions received subject to the standard fund agreements, and subject to UPMIFA, are classified as temporarily restricted until appropriated, at which time the appropriation is reclassified to unrestricted net assets. Contributions that are subject to fund agreements which are modified may be recorded as permanently restricted, temporarily restricted, or unrestricted, depending on the specific terms of the respective fund agreement.

Generally if the corpus of a contribution can at some point in the future become available for spending it is recorded as temporarily restricted. If the corpus never becomes available for spending it is reported as permanently restricted. In addition, contributions that are promised to be given in a future period are presented as temporarily restricted until the payments are received.

The Community Foundation of Louisville, Inc.
Notes to the Consolidated Financial Statements (Continued)
June 30, 2015 and 2014

Note L--Endowment Funds (Continued)

At June 30, 2015, endowment net assets consist of the following:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Board designated	\$ 74,084,774	\$ -	\$ -	\$ 74,084,774
Endowments subject to donor fund agreements	<u>167,819,811</u>	<u>144,637,465</u>	<u>8,059,055</u>	<u>320,516,331</u>
	<u>\$ 241,904,585</u>	<u>\$ 144,637,465</u>	<u>\$ 8,059,055</u>	<u>\$ 394,601,105</u>

At June 30, 2014, endowment net assets consist of the following:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Board designated	\$ 71,938,098	\$ -	\$ -	\$ 71,938,098
Endowments subject to donor fund agreements	<u>165,261,879</u>	<u>134,694,754</u>	<u>8,059,055</u>	<u>308,015,688</u>
	<u>\$ 237,199,977</u>	<u>\$ 134,694,754</u>	<u>\$ 8,059,055</u>	<u>\$ 379,953,786</u>

Changes in endowment net assets during the year ended June 30, 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Beginning of the year	\$ 237,199,977	\$ 134,694,754	\$ 8,059,055	\$ 379,953,786
Contributions	255,544	29,988,043	-	30,243,587
Investment return				
Net investment income	1,654,374	7,350,173	-	9,004,547
Net unrealized and realized appreciation	2,140,511	7,158,640	-	9,299,151
Net assets released from restrictions	34,554,145	(34,554,145)	-	-
Appropriation of endowment assets for expenditure	<u>(33,899,966)</u>	<u>-</u>	<u>-</u>	<u>(33,899,966)</u>
End of the year	<u>\$ 241,904,585</u>	<u>\$ 144,637,465</u>	<u>\$ 8,059,055</u>	<u>\$ 394,601,105</u>

The Community Foundation of Louisville, Inc.
Notes to the Consolidated Financial Statements (Continued)
June 30, 2015 and 2014

Note L--Endowment Funds (Continued)

Changes in endowment net assets during the year ended June 30, 2014 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Beginning of the year	\$ 202,030,137	\$ 117,002,483	\$ 8,059,055	\$ 327,091,675
Contributions	1,236,955	29,704,982	-	30,941,937
Investment return				
Net investment income	1,693,233	6,676,244	-	8,369,477
Net unrealized and realized appreciation	9,794,084	36,964,329	-	46,758,413
Net assets released from restrictions	55,653,284	(55,653,284)	-	-
Appropriation of endowment assets for expenditure	(33,207,716)	-	-	(33,207,716)
End of the year	<u>\$ 237,199,977</u>	<u>\$ 134,694,754</u>	<u>\$ 8,059,055</u>	<u>\$ 379,953,786</u>

Funds with deficiencies:

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets when they occur. There are no such deficiencies as of June 30, 2015 and 2014.

Return objectives and risk parameters:

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through the diversification of asset classes. The current long-term return objective is to return 8% net of related investment management fees. Actual returns in any given year may vary from this objective.

Strategies employed for achieving return objectives:

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The Community Foundation of Louisville, Inc.
Notes to the Consolidated Financial Statements (Continued)
June 30, 2015 and 2014

Note L--Endowment Funds (Continued)

Spending policy and how the investment objectives relate to the spending policy:

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds for grant making and administration. The current standard spending policy is to make available for distribution an amount equal to 5% of a rolling twelve quarter average of the fair values of the endowment assets. Accordingly, over the long term, the Foundation expects its current spending policy to allow its endowment assets to grow annually at an average rate of 3%. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment returns.

Note M--Non-controlling Interest

As indicated in Note A, management has included the accounts of the Orchestra Foundation in the accompanying consolidated financial statements. As stated in the Orchestra Foundation's articles of incorporation, should the Orchestra Foundation dissolve, the Orchestra Foundation shall distribute the lesser of its net assets or an amount equal to the remainder of the Community Foundation's initial transfer to the Orchestra Foundation. The remainder of the Community Foundation's initial transfer is \$7,600,000 at June 30, 2015 and 2014.

The limitation stated in the Orchestra Foundation's articles of incorporation resulted in management of the Community Foundation determining the Community Foundation has less than an entire interest in the net assets of the Orchestra Foundation. As a result, the difference between the Orchestra Foundation's net assets and the amount to which the Community Foundation is entitled is reported as a non-controlling interest.

The following table summarizes the change in the remainder of the Community Foundation's initial transfer amount and the non-controlling interest for the years ended June 30, 2015 and 2014:

	Remainder of the original transfer	Amount attributable to the non- controlling interest	Total Orchestra Foundation net assets
	<u> </u>	<u> </u>	<u> </u>
Balance, June 30, 2013	\$ 7,600,000	\$ 649,405	\$ 8,249,405
Net change for the year ended June 30, 2014	<u>-</u>	<u>1,102,592</u>	<u>1,102,592</u>
Balance, June 30, 2014	7,600,000	1,751,997	9,351,997
Net change for the year ended June 30, 2015	<u>-</u>	<u>(99,959)</u>	<u>(99,959)</u>
Balance, June 30, 2015	<u>\$ 7,600,000</u>	<u>\$ 1,652,038</u>	<u>\$ 9,252,038</u>

The Community Foundation of Louisville, Inc.
Notes to the Consolidated Financial Statements (Continued)
June 30, 2015 and 2014

Note M--Non-controlling Interest (Continued)

The Community Foundation's non-controlling interest in the net assets of the Orchestra Foundation is presented in the accompanying consolidated statements of financial position as of June 30, 2015 and 2014 under the following captions:

	<u>2015</u>	<u>2014</u>
Non-controlling interest in unrestricted net assets	\$ 865,400	\$ 965,359
Non-controlling interest in permanently restricted net assets	<u>786,638</u>	<u>786,638</u>
	<u>\$ 1,652,038</u>	<u>\$ 1,751,997</u>

For the years ended June 30, 2015 and 2014, the change in net assets attributable to the Community Foundation is as follows:

	<u>2015</u>	<u>2014</u>
Total change in net assets per the accompanying consolidated statement of activities	\$ 15,003,384	\$ 54,032,430
Less change in net assets attributable to the non-controlling interest	<u>(99,959)</u>	<u>1,102,592</u>
Change in net assets attributable to the Community Foundation	<u>\$ 15,103,343</u>	<u>\$ 52,929,838</u>

Note N--Office Space Lease

The Community Foundation leases its office space under an operating lease. The lease agreement, under which the Community Foundation pays rent in the amount of \$13,718 per month, inclusive of utilities, expires in September 2018 and is thereafter renewable for an additional five-year term.

Rent expense totals approximately \$165,000 for the years ended June 30, 2015 and 2014.

At June 30, 2015, the future minimum lease payments under this operating lease are as follows:

<u>Year ending June 30</u>	
2016	\$ 164,616
2017	164,616
2018	41,154
	<u>\$ 370,386</u>

The Community Foundation of Louisville, Inc.
Notes to the Consolidated Financial Statements (Continued)
June 30, 2015 and 2014

Note O--Investment Management and Custodial Fees

As previously indicated, invested funds are primarily held in custodial investment accounts and are managed by professional investment advisors. Accordingly, the Foundation has entered into agreements with several professional investment advisors. Generally, such agreements are cancelable by either party upon written notice.

For the years ended June 30, 2015 and 2014, investment management and other fees include approximately \$1,283,000 and \$1,282,000, respectively, of investment management and custodial fees.

Note P--Pension Plan

The Community Foundation has a defined contribution pension plan covering all employees who are at least twenty-one years old and have at least one year of service. Participants become fully vested upon completion of two years of service. Currently, the monthly employer contributions are based on 5.00% of the participant's compensation. Pension plan expense for the years ended June 30, 2015 and 2014 totals approximately \$64,000 and \$75,000, respectively.

Note Q--Revocable Beneficiary

During 2006, the Community Foundation was notified that it is the revocable beneficiary of a charitable lead trust. During 2015 and 2014, the Community Foundation received distributions from the trust in the amount of approximately \$8,300,000 and \$8,200,000, respectively. The Community Foundation may continue to receive such significant distributions over an extended period of time. The donor has the right to change the beneficiary of the trust at any time.

Supplementary Information

The Community Foundation of Louisville, Inc.
Consolidated Schedules of Functional Expenses
Years ended June 30, 2015 and 2014

	2015			
	Program services	Management and general	Fundraising	Total
Grants	\$ 30,003,867	\$ -	\$ -	\$ 30,003,867
Special programs	187,099	-	-	187,099
Income distributions from Depositories to donors' funds	461,612	-	-	461,612
Distributions from deferred funds	798,484	-	-	798,484
Investment management and other fees	-	1,297,066	-	1,297,066
Salaries, payroll taxes, and benefits	506,449	946,455	326,503	1,779,407
Rent, utilities, and office expenses	71,048	152,678	34,934	258,660
Marketing and communications	1,467	-	91,878	93,345
Development and stewardship	-	-	31,883	31,883
Community leadership	13,589	-	-	13,589
Legal, audit, and other professional services	42,154	139,970	17,395	199,519
Travel, entertainment, and conference expenses	18,204	31,282	5,722	55,208
Software maintenance contracts and upgrades	14,380	31,422	7,456	53,258
Memberships and reference materials and continuing education	1,654	34,411	5,768	41,833
Postage, printing, and publications	4,106	8,970	2,129	15,205
Miscellaneous expenses	2,023	6,903	1,049	9,975
Depreciation and amortization	20,325	48,739	10,539	79,603
	<u>32,146,461</u>	<u>2,697,896</u>	<u>535,256</u>	<u>35,379,613</u>
Totals	\$ <u>32,146,461</u>	\$ <u>2,697,896</u>	\$ <u>535,256</u>	\$ <u>35,379,613</u>

See accompanying independent
auditor's report.

2014

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
\$	29,310,021	\$ -	\$ -	\$ 29,310,021
	274,313	-	-	274,313
	997,221	-	-	997,221
	756,793	-	-	756,793
	-	1,293,579	-	1,293,579
	523,199	977,722	337,303	1,838,224
	69,692	149,459	34,898	254,049
	11,308	-	63,466	74,774
	-	-	60,024	60,024
	23,023	-	-	23,023
	37,487	130,621	14,819	182,927
	19,144	35,443	7,130	61,717
	13,604	29,727	7,054	50,385
	1,090	32,135	5,375	38,600
	4,914	10,739	2,548	18,201
	1,959	6,453	1,016	9,428
	18,523	44,802	9,605	72,930
\$	<u>32,062,291</u>	<u>\$ 2,710,680</u>	<u>\$ 543,238</u>	<u>\$ 35,316,209</u>